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SECURITY FUND

13 **UNITED STATES BANKRUPTCY COURT**
14 **NORTHERN DISTRICT OF CALIFORNIA**
15 **SAN FRANCISCO DIVISION**

16 **In re:**

17 **PG&E CORPORATION,**

18 **- and -**

19 **PACIFIC GAS AND ELECTRIC**
20 **COMPANY,**

21 **Debtors.**

- 21 ☐ Affects PG&E Corporation
22 ☐ Affects Pacific Gas and Electric Company
23 ☒ Affects both Debtors

24 ** All papers shall be filed in the lead case,
No. 19-30088 (DM)*

Bankruptcy Case No. 19-30088 (DM)

Chapter 11

(Lead Case) (Jointly Administered)

**STATEMENT AND RESERVATION OF
RIGHTS WITH RESPECT TO
CONFIRMATION OF THE DEBTORS'
AND SHAREHOLDER PROPONENTS'
JOINT CHAPTER 11 PLAN OF
REORGANIZATION DATED MARCH 16,
2020**

25 The California Self-Insurers' Security Fund ("CSISF"), by and through its counsel, hereby
26 files this statement and reservation of rights (the "Statement") with respect to confirmation of the
27 *Debtors' and Shareholder Proponents' Joint Chapter 11 Plan of Reorganization Dated March*
28

4829-7185-7084.5

1 16, 2020 [Docket No. 6320] (as may otherwise, from time-to-time, be amended, modified or
2 supplemented, the “Plan”).¹ In connection therewith, CSISF respectfully states as follows:

3 **STATEMENT**

4 Prior to the Petition Date, Pacific Gas and Electric Company and certain affiliates (the
5 “Debtors”) elected to self-insure their workers' compensation obligations under sections 3700 and
6 3701 of the California Labor Code (the “Self-Insurance Program”).

7
8 Section 3701 of the California Labor Code requires self-insured employers to deposit
9 security for their obligations in the form of either a surety bond issued in favor of the Director of
10 the Department of Industrial Relations for the State of California (the “Director”), cash or
11 marketable securities, or an irrevocable letter of credit. The amount of the security to be posted by
12 the self-insured employer is determined by, and may be increased or decreased from time to time
13 by, the Director in consultation with CSISF, pursuant to established rules.

14
15 On the eve of, and in the first hours of these cases, CSISF and the Debtors reached
16 agreement on an additional amount of security to be provided by the Debtors that would allow their
17 continued participation in both the Self-Insurance Program as well as the Alternative Security
18 Program administered under 3701.8 of the California Code (the “ASP”) during the pendency of
19 these Chapter 11 cases. *See* DIP Facility Order, ¶ 4(b)(i). Upon the occurrence of the Effective
20 Date, however, the amount security provided under the DIP Facility Order is to be released and,
21 concurrent with the release of the security, the Debtors right to participate in the Self-Insurance
22 Program and ASP will lapse. *See id.*

23
24 In that regard, CSISF has been engaged in active discussions with the Debtors to facilitate
25 the Reorganized Debtors’ participation in the Self-Insurance Program and ASP upon the occurrence
26 of the Effective Date as well as the amount and scope of security necessary to facilitate such
27

28 ¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

1 participation.² CSISF and the Debtors have reached an agreement concerning language to be
2 included in any order confirming the Plan (the “Confirmation Order”) to address that transition.

3 Specifically, the Debtors have agreed to include the following language in any order confirming
4 the Plan:

5
6 The Reorganized Debtors have elected to self-insure their workers’ compensation
7 liabilities with the authority of the Director (the “Director”) of the Department of
8 Industrial Relations (in accordance with section 3701 of the California Labor Code)
9 (the “Self-Insurance Program”) and participate in the Alternative Security Plan (as
10 established pursuant to section 3701.8 of the California Labor Code) (the “ASP”) upon emergence from these Chapter 11 Cases. The Director and CSISF have
11 authorized such participation contingent on the Reorganized Debtors’ ongoing
12 compliance with the foregoing provisions of the California Labor Code. The
13 following provisions of this Order shall govern the Reorganized Debtors’ transition
14 from participation in accordance with the agreements and orders reflected in
15 Paragraph 4 of the DIP Facility Order to participation in the Self-Insurance Program
16 and the ASP in accordance with applicable law under the foregoing provisions of
17 the California Labor Code after the occurrence of the Effective Date:

- 18
19 (i) Notwithstanding the entry of this Order, until the occurrence of the
20 Effective Date, the provisions of the DIP Facility Order shall continue
21 to govern and the “CSISF Liens” as defined in the DIP Facility Order
22 and the CSISF Cash Collateral posted pursuant to paragraphs 4(b)(i)
23 and (iv) of the DIP Facility Order shall remain in place.
- 24
25 (ii) Upon the occurrence of the Effective Date, and upon the posting of the
26 required amount of the security deposit, if any, as determined by the
27 Director and CSISF in accordance with section 3701 of the California
28 Labor Code, the CSISF Liens shall be automatically released in
accordance with paragraph(b)(vi) of the DIP Facility Order. All CSISF
Cash Collateral currently held by CSISF and the Director shall be
maintained and shall be applied toward the security deposit, if any,
required to be posted by the Reorganized Debtors. To the extent such
CSISF Cash Collateral is in excess of the amount of such security
deposit, such excess shall be promptly returned to the Reorganized
Debtors. Neither the Plan nor this Order alters the rights of CSISF and
the Director with respect to the Reorganized Debtors’ continued
participation in the Self-Insurance Program and the ASP after the
Effective Date.

26
27 ² To that end, and to allow the parties sufficient time to resolve any outstanding issues consensually, the time by
28 which CSISF was required to file a Plan Objection, or otherwise respond to the Plan, was ultimately extended to
May 20, 2020 at 1:00 p.m. (Pacific Prevailing Time) by way of stipulation and order. See Docket Nos. 7395,
7403.

1 Contingent on the inclusion of such language CSISF does not have any objection to the
2 Plan.

3 **RESERVATION OF RIGHTS**

4 By and through this Statement, the CSISF reserves its right to object to the Plan in the event
5 that it changes in any material respect that impacts CSISF, or the forgoing agreed language is not
6 included in the Confirmation Order.
7

8 DATED: May 20, 2020

NIXON PEABODY LLP

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